

Message Text

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ACTION EUR-12

INFO OCT-01 ARA-10 EA-10 IO-13 ISO-00 SP-02 ICA-11
AID-05 EB-08 NSC-05 TRSE-00 SS-15 STR-07 OMB-01
CEA-01 L-03 H-01 PA-01 CIAE-00 COME-00 FRB-03
INR-10 NEA-11 NSAE-00 OPIC-03 LAB-04 SIL-01
AGRE-00 /138 W
-----009516 031907Z /53

P 031740Z MAY 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC PRIORITY 6375
INFO ALL EC CAPITALS
AMEMBASSY BRASILIA
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY CANBERRA
AMEMBASSY SEOUL
AMEMBASSY SOFIA
AMEMBASSY TOKYO
AMEMBASSY WARSAW
USMISSION GENEVA

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USEEC, PARIS ALSO FOR USOECD

GENEVA ALSO FOR USDEL MTN

E.O. 11652: N/A
TAGS: EEC, BR, RO, HU, AS, KS, BU, JA, PL, EIND, ETRD
SUBJ: EC FOREIGN MINISTERS COUNCIL, MAY 2, 1978: STEEL

REFS: (A) 77 BRUSSELS 19129; (B) BRUSSELS 6632; (C)
77 BRUSSELS 18991; (D) BRUSSELS 5517

1. SUMMARY: EC COMMISSIONER DAVIGNON BRIEFED THE MAY 2
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EC FOREIGN MINISTERS COUNCIL ON THE CURRENT STATE OF
BILATERAL NEGOTIATIONS BETWEEN THE COMMISSION AND THIRD
COUNTRY STEEL SUPPLIERS. DAVIGNON ALSO INFORMED THE COUN-
CIL THAT, BECAUSE OF WIDESPREAD NON-COMPLIANCE BY
TRADING FIRMS WITH THE MINIMUM PRICE SYSTEM ADOPTED
LAST DECEMBER (REF A), THE COMMISSION WOULD SHORTLY BE
IMPOSING, OR RECOMMENDING TO THE COUNCIL, NEW CONTROLS

ON THE INTERNAL COMMUNITY MARKET. END SUMMARY.

2. EXTERNAL NEGOTIATIONS:

DAVIGNON INFORMED THE MINISTERS THAT SINCE THE LAST COUNCIL (REF B), THE COMMISSION HAD CONCLUDED ARRANGEMENTS WITH HUNGARY AND CZECHOSLOVAKIA. HE SAID THAT TALKS ARE STILL CONTINUING WITH BRAZIL, BULGARIA, SOUTH KOREA, POLAND, ROMANIA, AND AUSTRALIA. HE ALSO BRIEFED THE COUNCIL ON THE RESULTS OF HIS APRIL 9 TALKS IN WASHINGTON WITH U.S. AND JAPANESE OFFICIALS. ACCORDING TO A COMMISSION SPOKESMAN, DAVIGNON CHARACTERIZED THE WASHINGTON TALKS AS "PROMISING." THE SPOKESMAN ALSO SAID DAVIGNON TOLD THE COUNCIL THAT BOTH POLAND AND ROMANIA HAVE FOUND A GAP IN THE EC'S DECEMBER 1977 STEEL IMPORT SCHEME (REF C), INVOLVING UNFINISHED PRODUCTS; HE SAID THE COMMISSION IS SEEKING TO COVER THIS GAP IN NEGOTIATIONS.

3. INTERNAL MARKET:

DAVIGNON STRONGLY CRITICIZED WHAT HE TERMED WIDESPREAD NON-COMPLIANCE BY COMMUNITY STEEL TRADERS AND STOCKHOLDERS WITH THE COMMUNITY MINIMUM PRICE SYSTEM. HE WARNED THAT, IF THIS SITUATION WERE TO CONTINUE, THE EC'S INTERNAL STEEL MARKET CRISIS MEASURES MIGHT FALL LIMITED OFFICIAL USE

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APART, POINTING OUT THAT THIS WOULD ALSO JEOPARDIZE BILATERAL ARRANGEMENTS WITH THIRD COUNTRY EXPORTERS. DAVIGNON ANNOUNCED THAT THE COMMISSION HAS THEREFORE DECIDED TO TIGHTEN CONTROLS ON THE INTERNAL MARKET. ACCORDING TO A COMMISSION SPOKESMAN, DAVIGNON INFORMED THE COUNCIL OF THE FOLLOWING:

(A) THE COMMISSION WOULD TRANSMIT TO THE MEMBER STATES ON MAY 3 A LETTER REQUESTING THEIR COOPERATION, PURSUANT TO ARTICLE 86 OF THE ECSC TREATY, IN EXERCISING ON BEHALF OF THE COMMUNITY A CERTAIN NUMBER OF CONTROLS AIMED AT ASSURING RESPECT FOR THE INTERNAL MARKET SYSTEM. IN PARTICULAR, THE COMMISSION WILL ASK THAT CERTIFICATES OF CONFORMITY (NOW REQUIRED FOR PRODUCTS SUBJECT TO MINIMUM PRICES) BE FORWARDED WITHIN 48 HOURS SO THAT THE COMMISSION CAN HAVE AVAILABLE THE INFORMATION NECESSARY FOR IMPOSITION OF IMMEDIATE FINES IN CASE OF NON-COMPLIANCE WITH THE MINIMUM PRICES. CERTIFICATES OF CONFORMITY HAD HITHERTO BEEN REQUIRED ONLY TO ACCOMPANY DELIVERIES OF STEEL PRODUCTS.

(B) THE COMMISSION WILL PROPOSE TO THE COUNCIL THAT THE

DECEMBER 1977 DECISION BE EXTENDED TO REQUIRE THAT
TRADING FIRMS DELIVER CERTIFICATES OF CONFORMITY NOT
ONLY FOR STOCK SALES BUT ALSO FOR DIRECT SALES.

(C) THE COMMISSION WILL ASK FOR SPECIFIC INFORMATION ON
SALES OF WIRE RODS AND BEAMS, WHICH ARE AREAS OF
PARTICULAR CONCERN.

(D) THE COMMISSION WILL SOON ANNOUNCE (SOME TIME IN MAY)
A NEW SERIES OF FINES RESULTING FROM NON-COMPLIANCE WITH
MINIMUM PRICES.

4. ACCORDING TO THE COMMISSION SPOKESMAN, DAVIGNON
SAID THAT THE COMMUNITY WILL MAKE A LAST ATTEMPT TO
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KEEP ITS CRISIS MEASURES IN FORCE AND THAT, IF THERE
IS NO IMPROVEMENT IN THE SITUATION DURING THE NEXT
TWO MONTHS, THE COMMISSION WILL HAVE TO CONSIDER WHAT
NEW MEASURES MIGHT BE NECESSARY. THE SPOKESMAN SAID

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AGRE-00 /138 W

-----009530 031906Z /53

P 031740Z MAY 78

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC PRIORITY 6376

INFO ALL EC CAPITALS

AMEMBASSY BRASILIA

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY CANBERRA

AMEMBASSY SEOUL

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THAT MEMBER STATE REACTION TO DAVIGNON'S PRESENTATION
WAS FAVORABLE.

5. ACCORDING TO HE SPOKESMAN, DAVIGNON ANNOUNCED THAT
THE COMMISSION WOULD CONSULT THE COUNCIL AND THE ECSC
CONSULTATIVE COMMITTEE ON A FURTHER FIVE PERCENT INCREASE
IN THE COMMUNITY'S REFERENCE PRICE FOR STEEL, SO THAT
A DECISION CAN BE TAKEN ALLOWING THE INCREASE TO GO
INTO EFFECT ON JULY 1. (COMMENT: THE REFERENCE PRICE
WAS INCREASED BY FIVE PERCENT ON JANUARY 1, BUT THE
COMMISSION DECIDED TO FOREGO A SCHEDULED SECOND FIVE
PERCENT INCREASE ON APRIL 1. END COMMENT.) THE
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SPOKESMAN ALSO SAID DAVIGNON CALLED FOR A DECISION BY
THIS JULY ON STATE AIDS IN THE STEEL SECTOR (REF D).
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: STEEL, INDUSTRIAL DEVELOPMENT, FINANCIAL CRISIS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BRUSSE08615
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780189-0229
Format: TEL
From: BRUSSELS USOECD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780599/aaaadgmw.tel
Line Count: 198
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 792db2a5-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 BRUSSELS 19129, 78 BRUSSELS 6632
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2809863
Secure: OPEN
Status: NATIVE
Subject: EC FOREIGN MINISTERS COUNCIL, MAY 2, 1978: STEEL
TAGS: EIND, ETRD, BR, RO, HU, AS, KS, BU, JA, PL, EEC
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/792db2a5-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014